

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORTS
FOR THE YEARS ENDED
JUNE 30, 2011 AND 2010**

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

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**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**OFFICIALS
JUNE 30, 2011**

Name	Position	Term Expires	Insurance Coverage
Richard Kohler	Chairman	12/31/14	\$ 10,000
Phil Cannon	Trustee	12/31/16	10,000
Lynne Don Carlos	Trustee	12/31/12	10,000
 Duane Armstead	 General Manager		 10,000
Rebecca Haase	City Clerk/Treasurer		40,000

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Gregory A. Harr, C.P.A.

Dwain E. Wulf, C.P.A.
Daniel R. Holt, C.P.A.
Daniel A. Dudley, C.P.A.
Geoffrey F. Schnathorst, C.P.A.
Catherine T. Kellogg, C.P.A.

INDEPENDENT AUDITORS' REPORT

Greenfield Municipal Utilities
Electric System
Greenfield, Iowa

We have audited the accompanying statements of net assets of the Electric System, a department of Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of June 30, 2011 and 2010, and the related statements of revenue, expenses and change in net assets and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the financial statements of the Electric System, a department of Greenfield Municipal Utilities, are intended to present the respective financial position and results of operations and cash flows of proprietary fund types of only that portion of the financial reporting entity of the City of Greenfield, Iowa, that is attributable to the transactions of the Electric System.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric System, a department of Greenfield Municipal Utilities, as of June 30, 2011 and 2010, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2011, on our consideration of the Electric System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for Schedules 3 and 4 which are marked "unaudited" and on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on Schedules 1 and 2 is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Greenfield Municipal Utilities has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

November 2, 2011

By _____
Certified Public Accountant

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010**

ASSETS	2011	2010	Increase (Decrease)
CURRENT ASSETS:			
Cash and Equivalents	\$ 1,203,852	\$ 301,371	\$ 902,481
Investment in Certificates of Deposit	200,000	400,000	(200,000)
Accounts Receivable - Customers	354,352	390,918	(36,566)
Inventories - Materials and Supplies	365,405	387,934	(22,529)
Patronage Dividend Receivable	28,280	28,154	126
Accrued Interest Receivable	3,521	4,388	(867)
Prepaid Insurance	18,465	16,185	2,280
Current Portion of Note Receivable	6,667	-	6,667
Deferred Bond Issue Costs, Net of Amortization	7,077	7,797	(720)
Total Current Assets	2,187,619	1,536,747	650,872
RESTRICTED ASSETS:			
Cash for Revenue Debt Payoff	-	1,267,343	(1,267,343)
Investment in Certificates of Deposit	764,161	614,161	150,000
Investment in Debt Reserves Held by SIMECA	253,794	252,388	1,406
Total Restricted Assets	1,017,955	2,133,892	(1,115,937)
PROPERTY AND EQUIPMENT:			
Production Plant	4,074,343	4,033,081	41,262
Transmission System	109,195	109,195	-
Distribution System	4,969,754	4,969,754	-
Vehicles, Tools and Equipment	456,567	455,981	586
Total Cost	9,609,859	9,568,011	41,848
Accumulated Depreciation	(5,624,192)	(5,326,808)	(297,384)
Cost Less Depreciation	3,985,667	4,241,203	(255,536)
Construction in Progress	1,465,773	49,068	1,416,705
Total Property and Equipment, Net	5,451,440	4,290,271	1,161,169
OTHER NONCURRENT ASSETS:			
Note Receivable	353,333	-	353,333
Patronage Dividend Receivable	210,319	225,885	(15,566)
Deferred Bond Issue Costs, Net of Amortization	65,383	28,465	36,918
Total Other Noncurrent Assets	629,035	254,350	374,685
	<u>\$ 9,286,049</u>	<u>\$ 8,215,260</u>	<u>\$ 1,070,789</u>

(Continued)

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010**

LIABILITIES	2011	2010	Increase (Decrease)
CURRENT LIABILITIES:			
Accounts Payable -			
Vendors and Suppliers	\$ 19,572	\$ 40,960	\$ (21,388)
SIMECA	222,290	227,867	(5,577)
Sewer Rental Collections	37,181	37,181	-
Sales and Use Tax Payable	8,705	8,945	(240)
Accrued Liabilities -			
Salaries and Wages	14,624	13,387	1,237
Compensated Absences	35,617	34,612	1,005
Interest	64,541	53,314	11,227
Current Portion of Long-term Debt	<u>380,000</u>	<u>1,745,000</u>	<u>(1,365,000)</u>
Total Current Liabilities	782,530	2,161,266	(1,378,736)
 NONCURRENT LIABILITIES:			
Revenue Bonds and Notes Payable	4,435,000	1,955,000	2,480,000
Lease Purchase Contract Obligation	<u>605,000</u>	<u>710,000</u>	<u>(105,000)</u>
Total Noncurrent Liabilities	<u>5,040,000</u>	<u>2,665,000</u>	<u>2,375,000</u>
Total Liabilities	5,822,530	4,826,266	996,264
 NET ASSETS			
Invested in Capital Assets, Net of Related Debt	103,900	1,183,876	(1,079,976)
Restricted for Debt Covenants and Construction	1,179,736	1,053,538	126,198
Restricted for Revolving Loan Fund	360,000	-	360,000
Unrestricted	<u>1,819,883</u>	<u>1,151,580</u>	<u>668,303</u>
Total Net Assets	3,463,519	3,388,994	74,525
	<u>\$ 9,286,049</u>	<u>\$ 8,215,260</u>	<u>\$ 1,070,789</u>

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011		2010		Increase (Decrease)
	Amount	Percent	Amount	Percent	
OPERATING REVENUE:					
Residential Sales	\$ 996,153	27.0	\$ 888,471	24.5	\$ 107,682
Commercial Sales	911,513	24.7	807,018	22.2	104,495
Industrial Sales	1,599,643	43.3	1,765,169	48.6	(165,526)
Street Light Sales	24,234	0.7	24,269	0.7	(35)
Sales to Water	36,122	1.0	39,077	1.1	(2,955)
Sales to City	42,600	1.2	43,419	1.2	(819)
Patronage Dividend	12,714	0.3	23,822	0.7	(11,108)
Bad Debt Collections	756	-	-	-	756
Connections and Reconnections	14,767	0.4	13,861	0.4	906
Other Operating Revenue	<u>53,339</u>	1.4	<u>24,220</u>	0.6	<u>29,119</u>
Total Operating Revenue	3,691,841	100.0	3,629,326	100.0	62,515
OPERATING EXPENSES:					
Plant Operations	95,811	2.6	137,484	3.8	(41,673)
Plant Maintenance	53,180	1.4	47,329	1.3	5,851
Purchased Energy	2,368,663	64.2	2,409,304	66.4	(40,641)
Distribution Operations	204,868	5.5	188,557	5.2	16,311
Distribution Maintenance	162,989	4.4	106,162	2.9	56,827
Accounting and Collecting	73,622	2.0	71,431	2.0	2,191
Administrative Expenses	164,866	4.5	170,877	4.7	(6,011)
Refunds and Rebates	34,267	0.9	42,751	1.2	(8,484)
Bad Debts	11,026	0.3	-	-	11,026
Depreciation Expense	<u>309,591</u>	8.4	<u>310,202</u>	8.5	<u>(611)</u>
Total Operating Expenses	3,478,883	94.2	3,484,097	96.0	(5,214)
Operating Earnings	212,958	5.8	145,229	4.0	67,729
NONOPERATING REVENUE (EXPENSES):					
Interest Income	24,015	0.7	30,171	0.8	(6,156)
Disposal of Scrapped Assets	-	-	(1,132)	-	1,132
Miscellaneous Income	10,978	0.3	17,803	0.5	(6,825)
Federal Grant - USDA Revolving Fund	300,000	8.1	-	-	300,000
Interest Expense	<u>(129,003)</u>	(3.5)	<u>(162,154)</u>	(4.5)	<u>33,151</u>
Total Nonoperating Revenue (Expenses)	<u>205,990</u>	5.6	<u>(115,312)</u>	(3.2)	<u>321,302</u>
Net Income Before Transfers	418,948	11.4	29,917	0.8	389,031

(Continued)

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011		2010		Increase (Decrease)
	Amount	Percent	Amount	Percent	
TRANSFERS OUT:					
Payments to City	(110,000)		(113,000)		3,000
To Water System	<u>(234,423)</u>		<u>(100,000)</u>		<u>(134,423)</u>
Change in Net Assets	74,525		(183,083)		257,608
Total Net Assets, Beginning	3,388,994		3,572,077		(183,083)
 Total Net Assets, Ending	 <u>\$ 3,463,519</u>		 <u>\$ 3,388,994</u>		 <u>\$ 74,525</u>

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 3,673,321	\$ 3,570,384
Payments to Suppliers	(2,771,645)	(2,746,733)
Payments to Employees, Wages and Benefits	(402,362)	(395,771)
Other Receipts (Payments)	<u>81,504</u>	<u>61,731</u>
Net Cash from Operating Activities	580,818	489,611
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments to City	(110,000)	(113,000)
Transfer to Economic Development Loan Fund	(60,000)	-
Transfers to Water System	<u>(234,423)</u>	<u>(100,000)</u>
Net Cash from Noncapital Financing Activities	(404,423)	(213,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase and Construction of Capital Assets	(1,470,760)	(57,910)
Loss on Sale of Assets	-	(1,132)
Revenue Bond Proceeds, Net	2,513,450	1,222,085
Cash for Revenue Debt Payoff	1,267,343	(1,267,343)
Interest Paid on Notes and Lease Debt	(107,423)	(161,234)
Principal Paid on Revenue Notes	(1,450,000)	(235,000)
Principal Paid on Lease Purchase Debt	<u>(100,000)</u>	<u>(96,000)</u>
Net Cash from Capital and Related Financing Activities	652,610	(596,534)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	24,882	31,022
Certificates of Deposit, Net Redeemed	50,000	100,000
Reserve Deposits Paid to SIMECA	<u>(1,406)</u>	<u>(2,707)</u>
Net Cash from Investing Activities	<u>73,476</u>	<u>128,315</u>
Net Change in Cash and Equivalents	902,481	(191,608)
Cash and Equivalents, Beginning of Year	301,371	492,979
Cash and Equivalents, End of Year	<u>\$ 1,203,852</u>	<u>\$ 301,371</u>

(Continued)

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
RECONCILIATION OF OPERATING EARNINGS TO NET CASH FROM OPERATING ACTIVITIES:		
Operating Earnings	\$ 212,958	\$ 145,229
Adjustments to Reconcile Operating Earnings to Net Cash		
Provided by Operating Activities -		
Depreciation Non-cash Expense	309,591	310,202
Miscellaneous Income Received	10,977	17,809
Disposal of Scrapped Assets	-	1,132
Change in Operating Assets and Liabilities -		
Accounts Receivable (Increase) Decrease	36,566	(22,686)
Inventories (Increase) Decrease	22,529	(548)
Patronage Dividend Receivable (Increase) Decrease	15,440	6,544
Prepaid Expenses (Increase) Decrease	(2,280)	1,970
Accounts Payable Increase (Decrease)	(26,965)	18,799
Sales and Use Tax Payable Increase (Decrease)	(240)	1,087
Other Accrued Liabilities Increase (Decrease)	2,242	10,073
Total Adjustments	367,860	344,382
Net Cash from Operating Activities	<u>\$ 580,818</u>	<u>\$ 489,611</u>

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General -

Greenfield Municipal Utilities (GMU) is governed by a three-member Board of Trustees that is appointed by the Mayor of Greenfield and approved by the City Council. GMU operates and manages an electric system and water system.

GMU provides electric and water service to a diverse base of residential, commercial and industrial customers, primarily within the boundaries of the City. The Trustees exercise all oversight responsibility including the establishment of service rates, equitable allocation of joint expenses and books of account for each utility system.

GMU prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accompanying financial statements include only the activities of the Electric System. The financial activities of the Water System are presented and reported in separate financial statements. The significant accounting principals and policies utilized are described below.

B. Reporting Entity -

GMU is required to consider if it has oversight responsibility or control over any other legal entity. Criteria specified by GASB for determining the scope of such oversight include: (1) financial interdependency, (2) selection of the governing authority, (3) designation of management, (4) ability to significantly influence operations, and (5) accountability for fiscal matters. In accordance with these criteria, GMU has been identified as being a component unit of, but legally separate from, the City of Greenfield (the City), and not having component units itself.

C. Basis of Presentation -

The accounts of the Electric System are organized on the basis of enterprise funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses.

The Statement of Net Assets displays the assets and liabilities with the difference reported as net assets. Net assets are reported in three components, as follows:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, notes or other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted net assets consists of all other net assets, including designated, that do not meet the definition of "restricted" or "invested in capital assets, net of related debt". Any designated net assets included may be re-designated at any time by board action.

Amounts shown as restricted net assets and the purpose of the restriction are as follows:

Restricted for	2011	2010
Debt Service Reserves	\$ 708,219	\$ 579,118
Revenue Notes Capital		
Improvement Reserve	150,000	150,000
Lease Purchase Reserve	321,517	324,420
Totals	<u>\$ 1,179,736</u>	<u>\$ 1,053,538</u>

D. **Measurement Focus and Basis of Accounting -**

Measurement focus refers to what types of resources are reported; basis of accounting refers to when revenues, expenditures and expenses - and the related assets or liability - are recognized in the accounts and reported in the financial statements. Basis of accounting refers to the timing of the measurement made, regardless of the measurement focus applied.

The Electric System operates as a governmental proprietary enterprise fund and uses the flow of economic resources measurement focus and the accrual basis of accounting to determine net income, cash flows, and financial position, similar to businesses in the private sector. Accordingly, revenues are recognized when earned, except that unbilled revenues for customer usage since the last meter reading to the end of the fiscal year (approximately five days) are not accrued. Expenses are recognized when the obligation is incurred.

GASB pronouncements and non-conflicting pronouncements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989 are applied in preparation of the accompanying financial statements. Management has elected to continue to apply non-conflicting FASB pronouncements issued after November 30, 1989.

Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with Greenfield Municipal Utilities' ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. **Use of Estimates -**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. **Cash, Equivalents and Investments -**

Unrestricted cash on hand and on deposit in checking or savings accounts and short-term certificates of deposits having a maturity date of no longer than three months are all considered cash and equivalents for financial reporting. All cash, checking and savings are held as pooled cash. Investments consist of non-negotiable certificates of deposit in the name of the fund and are stated at cost.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Receivables and Credit Policies* -

Accounts receivable are uncollateralized customer obligations due under normal terms. Unpaid accounts receivable are considered delinquent and are assessed a penalty.

Accounts receivable are stated at the amount billed to the customer plus any unpaid penalties and are recorded in the period service is billed. Management reviews all accounts receivable balances that are delinquent and charges those amounts to expense that are deemed to be uncollectible.

H. *Inventories - Materials and Supplies* -

Inventories of materials and supplies are held for consumption and are stated at the lower of cost or market using the first-in, first-out method.

I. *Capital Assets* -

Capital assets (property, plant and equipment, including infrastructures) are valued at historical cost. The cost of system renewals and betterments includes engineering, project construction period interest and other related costs. Preliminary and construction costs of projects not yet in service, if any, are shown in the financial statements as construction in progress. Maintenance and repairs which do not add to the capacity or efficiency of the asset are charged to operating expense.

Depreciation is provided over the assets estimated useful lives using the straight line method with one-half year convention. No depreciation is taken on construction in progress. The range of estimated useful lives by capital asset sub-category is as follows:

Plant and Structures	20-50 Years
Sub-Station Improvements	20-35 Years
Transmission System Improvements	25-35 Years
Distribution System Improvements	25-35 Years
Vehicles	5 Years
Tools and Shop Equipment	5-10 Years
Furniture and Office Equipment	5-10 Years

J. *Taxes* -

GMU is not liable for federal and state income taxes or taxes on its property. However, payments in-lieu-of taxes and other contributions are made to the City by the Electric System.

NOTE 2 - CASH AND POOLED INVESTMENTS

All deposits at June 30, 2011 and 2010 were covered by federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

GMU is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit or savings accounts at federally insured depository institutions approved by the Board of Trustees and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of drainage districts.

The investments held by SIMECA for debt reserves are not in the name of the utility and are invested in the Iowa Public Agency Investment Trust (IPAIT).

NOTE 2 - CASH AND POOLED INVESTMENTS (Continued)

Monies held for special purposes are restricted to the use for which designated and cannot be used for the general operations of the utility. The funds held for debt redemption, debt reserve and improvements are required by covenants of the revenue notes payable.

NOTE 3 - LOANS RECEIVABLE

The Electric System, as the recipient of a Federal Revolving Loan Grant received to make revolving loans for rural economic development, advanced \$360,000 to E. E. Warren Opera House Association for rehabilitation of the historical opera house in Greenfield, Iowa. This advance is repayable, under terms of a promissory note dated April 7, 2011, by monthly installments of \$3,333 beginning May 1, 2012. The note is non-interest bearing and may be repaid in whole or in part at any time prior to maturity.

Annual amounts receivable in the future are as follows:

Year Ending June 30,	
2012	\$ 6,667
2013	40,000
2014	40,000
2015	40,000
2016 and after	233,333
Total	<u>\$ 360,000</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Capital asset activity for the years ended June 30, 2011 and 2010 is as follows:

2011	Balance July 1,	Additions	Retirements	Balance June 30,
Capital Assets being Depreciated -				
Production Plant	\$ 4,033,081	\$ 41,262	\$ -	\$ 4,074,343
Transmission System	109,195	-	-	109,195
Distribution System	4,969,754	-	-	4,969,754
Vehicles, Tools and Equipment	455,981	12,794	12,208	456,567
Total Cost	<u>\$ 9,568,011</u>	<u>\$ 54,056</u>	<u>\$ 12,208</u>	<u>\$ 9,609,859</u>
Accumulated Depreciation for -				
Production Plant	\$ 2,559,311	\$ 119,314	\$ -	\$ 2,678,625
Transmission System	109,195	-	-	109,195
Distribution System	2,317,148	167,280	-	2,484,428
Vehicles, Tools and Equipment	341,154	22,997	12,207	351,944
Total Accumulated Depreciation	<u>\$ 5,326,808</u>	<u>\$ 309,591</u>	<u>\$ 12,207</u>	<u>\$ 5,624,192</u>

NOTE 4 - PROPERTY AND EQUIPMENT (Continued)

2010	Balance July 1,	Additions	Retirements	Balance June 30,
Capital Assets being Depreciated -				
Production Plant	\$ 4,045,269	\$ -	\$ 12,188	\$ 4,033,081
Transmission System	118,312	-	9,117	109,195
Distribution System	4,967,054	2,700	-	4,969,754
Vehicles, Tools and Equipment	453,276	6,142	3,437	455,981
Total Cost	<u>\$ 9,583,911</u>	<u>\$ 8,842</u>	<u>\$ 24,742</u>	<u>\$ 9,568,011</u>
Accumulated Depreciation for -				
Production Plant	\$ 2,451,563	\$ 118,804	\$ 11,056	\$ 2,559,311
Transmission System	118,312	-	9,117	109,195
Distribution System	2,149,288	167,860	-	2,317,148
Vehicles, Tools and Equipment	321,053	23,538	3,437	341,154
Total Accumulated Depreciation	<u>\$ 5,040,216</u>	<u>\$ 310,202</u>	<u>\$ 23,610</u>	<u>\$ 5,326,808</u>

Depreciation expense by asset group charged to operations is as follows:

	2011	2010
Production Plant	\$ 119,314	\$ 118,804
Distribution System	167,280	167,860
Vehicles, Tools and Equipment	22,997	23,538
Totals	<u>\$ 309,591</u>	<u>\$ 310,202</u>

NOTE 5 - COMPENSATED ABSENCES

GMU employees accumulate a limited amount of vested, but unused, vacation and sick leave hours for subsequent use or payment upon termination, retirement or death. Accrued compensated absences included in the financial statements for 2011 and 2010 represent the amount due for the hours accumulated at the employees' June 30 rate of compensation.

NOTE 6 - REVENUE BONDS AND NOTES PAYABLE

During 2001, the Electric System issued \$1,400,000 of revenue notes, maturing serially from September 1, 2002 through September 1, 2013, with interest at various rates from 4.30 to 5.20 percent per annum payable semiannually on March 1 and September 1. The notes are callable and were called on or after September 1, 2010, at par plus accrued interest.

During 2003, the Electric System issued \$840,000 of refunding notes, maturing serially from September 1, 2004 through September 1, 2010, with interest at various rates from 1.60 to 3.20 percent per annum payable semiannually on March 1 and September 1. These notes were paid off in 2011.

During 2006, the Electric System issued \$1,220,000 of revenue bonds, maturing serially from September 1, 2007 through September 1, 2021, with interest at various rates from 4.00 to 4.60 percent per annum payable annually on September 1. The bonds are callable on or after September 1, 2013, at par plus accrued interest. The proceeds were used for improvements to the Power Plant Substation.

NOTE 6 - REVENUE BONDS AND NOTES PAYABLE (Continued)

During 2010, the Electric System issued \$1,245,000 of revenue bonds, maturing serially from September 1, 2011 through September 1, 2016, with interest at various rates from 1.60 to 3.25 percent per annum payable semiannually on March 1 and September 1 beginning March 1, 2011. The notes are callable on or after September 1, 2014, at par plus accrued interest. The proceeds were used to redeem the callable series 2001 Notes.

During 2010, the Electric System issued \$2,560,000 of revenue bonds, maturing serially from September 1, 2017 through September 1, 2028, with interest at various rates from 2.25 to 3.9 percent per annum payable semiannually on March 1 and September 1 beginning March 1, 2011. The bonds are callable on or after September 1, 2018, at par plus accrued interest. The proceeds were used for constructing improvements, including two new generators at the North Power Plant Substation.

Future debt service requirements are as follows:

Year Ending June 30,	Revenue Obligation 2006		Revenue Obligation 2010A		Revenue Obligation 2010B		Total Required		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Interest	Interest	
2012	\$ 80,000	\$ 37,510	\$ 195,000	\$ 29,335	\$ -	\$ 83,655	\$ 275,000	\$ 150,500	\$ 425,500
2013	80,000	34,290	200,000	25,775	-	83,655	280,000	143,720	423,720
2014	80,000	31,010	205,000	21,418	-	83,655	285,000	136,083	421,083
2015	90,000	27,460	210,000	16,330	-	83,655	300,000	127,445	427,445
2016	70,000	24,083	215,000	10,375	-	83,655	285,000	118,113	403,113
2017	75,000	20,982	220,000	3,575	-	83,655	295,000	108,212	403,212
2018	80,000	17,610	-	-	220,000	81,180	300,000	98,790	398,790
2019	80,000	14,070	-	-	175,000	76,518	255,000	90,588	345,588
2020	85,000	10,378	-	-	180,000	71,900	265,000	82,278	347,278
2021	90,000	6,417	-	-	185,000	66,787	275,000	73,204	348,204
2022	95,000	2,185	-	-	195,000	61,082	290,000	63,267	353,267
2023 and After	-	-	-	-	1,605,000	219,730	1,605,000	219,730	1,824,730
Totals	<u>\$ 905,000</u>	<u>\$ 225,995</u>	<u>\$ 1,245,000</u>	<u>\$ 106,808</u>	<u>\$ 2,560,000</u>	<u>\$ 1,079,127</u>	<u>\$ 4,710,000</u>	<u>\$ 1,411,930</u>	<u>\$ 6,121,930</u>

The resolutions providing for the issuance of the revenue bonds and notes include the following provisions:

- A. The debt will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the activity.
- B. Sufficient cash transfers shall be made to an electric bond and interest account for the purpose of making the next annual principal and interest payment when due. As of June 30, 2011, the electric bond and interest sinking fund account was fully funded.
- C. Additional cash transfers shall be made to an electric bond reserve account until such account reaches \$427,832. This amount is restricted for the purpose of paying principal and interest whenever, for any reason, the funds on deposit in the sinking fund are insufficient to pay such principal and interest when due. As of June 30, 2011, the electric bond reserve account was fully funded.

NOTE 6 - REVENUE BONDS AND NOTES PAYABLE (Continued)

- D. Cash transfers shall be made to an electric capital improvement account until such account reaches \$150,000. This account is restricted for the purpose of paying for extraordinary maintenance costs, rentals, improvements, extensions or repairs to the system not included in the annual budget of revenues and current expenses, and bond principal and interest. As of June 30, 2011, this account was fully funded.

NOTE 7 - LEASE-PURCHASE CONTRACT OBLIGATION

The Electric System is leasing two generation units installed in its service territory under agreements that are classified as a capital lease. The cost of the assets under the capital lease of \$1,982,548 is included in the balance sheet as production equipment and is being depreciated at the same rate as other similar production equipment.

This lease-purchase agreement is with SIMECA in the original principal amount of \$1,479,327. Interest rates on the capitalized lease vary from 3.20% to 5.30% which are the rates being paid by SIMECA on the funds borrowed to fund the lease. The lease-purchase agreement expires March 1, 2017. Payments under this agreement are due semiannually with future minimum payments as follows:

Year Ending June 30,	Rate	Principal	Interest	Total
2012	4.90%	\$ 105,000	\$ 36,466	\$ 141,466
2013	5.00%	110,000	31,322	141,322
2014	5.10%	115,000	25,821	140,821
2015	5.20%	120,000	19,957	139,957
2016	5.25%	127,000	13,717	140,717
2017	5.30%	133,000	7,049	140,049
Totals		<u>\$ 710,000</u>	<u>\$ 134,332</u>	<u>\$ 844,332</u>

The resolutions providing for the issuance of the SIMECA lease-purchase include the following provisions:

- A. Cash transfers shall be made to a reserve fund held by SIMECA until such account reaches \$147,900. This amount is restricted as security for the bonds. As of June 30, 2011, this account was fully funded.
- B. The Board shall establish, impose, adjust and provide for the collection of rates to be charged to customers of the Utility to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the Utility, and to leave a balance of net revenues equal to at least 125% of the average annual payments. As of June 30, 2011, the net revenues exceeded this requirement.

NOTE 8 - CHANGES IN LONG-TERM DEBT

Changes in long-term debt for the years ended June 30, 2011 and 2010 are as follows:

	Balances			Balances	Due Within
2011	July 1,	Issued	Retired	June 30,	One Year
2001 Revenue Notes	\$ 1,235,000	\$ -	\$1,235,000	\$ -	\$ -
2003 Revenue Refunding Notes	130,000	-	130,000	-	-
2002 Revenue Notes (SIMECA)	810,000	-	100,000	710,000	105,000
2006 Revenue Bonds	990,000	-	85,000	905,000	80,000
2010A Revenue Refunding Bonds	1,245,000	-	-	1,245,000	195,000
2010B Revenue Bonds	-	2,560,000	-	2,560,000	-
	<u>\$ 4,410,000</u>	<u>\$2,560,000</u>	<u>\$1,550,000</u>	<u>\$ 5,420,000</u>	<u>\$ 380,000</u>

	Balances			Balances	Due Within
2010	July 1,	Issued	Retired	June 30,	One Year
2001 Revenue Notes	\$ 1,255,000	\$ -	\$ 20,000	\$ 1,235,000	\$ 1,235,000
2003 Revenue Refunding Notes	255,000	-	125,000	130,000	130,000
2002 Revenue Notes (SIMECA)	906,000	-	96,000	810,000	100,000
2006 Revenue Bonds	1,080,000	-	90,000	990,000	85,000
2010A Revenue Refunding Bonds	-	1,245,000	-	1,245,000	195,000
	<u>\$ 3,496,000</u>	<u>\$1,245,000</u>	<u>\$ 331,000</u>	<u>\$ 4,410,000</u>	<u>\$ 1,745,000</u>

NOTE 9 - PAYMENT TO THE CITY

By resolution of the Board of Trustees, the Electric System pays an in-lieu-of payment to the City of Greenfield based on the estimated annual sale of electricity. This payment, once estimated, is not adjusted. The payments in 2011 and 2010 were \$110,000 for both years. Additionally, the Electric System paid the City \$3,000 during 2010 to assist with Municipal Building repairs.

NOTE 10 - PENSION AND RETIREMENT BENEFITS

GMU contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the employer is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The Electric System's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009, was \$18,458, \$17,205, and \$15,347, respectively, which met the required contributions for each year.

NOTE 11 - DEFERRED COMPENSATION PLAN

GMU offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits deferral to future years of a portion of their current salary. The employee becomes eligible to withdraw funds upon termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in a separate third-party trust for the exclusive benefit of participants and their beneficiaries.

NOTE 12 - RELATED PARTIES

South Iowa Municipal Electric Cooperative Association (SIMECA) membership is made up of 15 municipalities, one of which is Greenfield Municipal Utilities. It is organized to purchase, generate, transmit or distribute electric energy and to develop and establish safety programs for the benefit of its municipal members. Profits from SIMECA are returned to its members as patronage refund dividends.

SIMECA is a member of Central Iowa Power Cooperative (CIPCO) and is party to a long-term (15.5 years) contract with them for the purchase of electric energy and the distribution of this energy to its members. This contract ran to December 31, 2008, and then renews for five years under the same terms. There are no minimum payments required by this contract.

Currently, SIMECA has purchased and installed generation equipment in several of its member municipalities and issued its revenue bonds in payment thereof. Each applicable member has entered into a lease-purchase agreement whereby the member will pay a proportionate share of interim costs and revenue bond principal and interest debt incurred by SIMECA regarding the installed generation equipment. GMU's share of this debt principal was originally \$1,479,327, which is the subject of the capitalized lease-purchase shown in the financial statements. See Note 7.

NOTE 13 - CONCENTRATIONS

The Electric System provides electricity to customers in a specified service area in and around the City of Greenfield, Iowa. It grants credit to substantially all customers, all of whom are local businesses or residents.

Sales to a local manufacturing company accounted for approximately 46% and 45% of the total operating revenue for the years ended June 30, 2011 and 2010, respectively.

NOTE 14 - RISK MANAGEMENT

The Greenfield Municipal Utilities are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks, except for loss of infrastructure, are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reflected in the balance sheets for cash and cash equivalents approximate the respective fair values due to the short maturities of those instruments. Management estimates that there are no significant differences between the fair value of financial instruments and the amounts shown as assets and liabilities on the statements of net assets.

NOTE 16 - COMMITMENTS

The Electric System pledged \$10,000 per year for five years to the Adair County Memorial Hospital Building Fund in order to support local economic development. As of June 30, 2011, \$20,000 was still outstanding on this commitment. No liability is recorded in the financial statements for this commitment.

The Electric System has a customer support agreement with Ziegler Power Systems for substation engines. This is a five year agreement which is effective from January 1, 2008 through December 31, 2012, at a cost of \$17,642.94 per year. As of June 30, 2011, \$35,285.70 was still outstanding on this commitment.

Greenfield Municipal Utilities is one of twelve members of SIMECA (South Iowa Municipal Electric Cooperative Association). SIMECA is a member of Central Iowa Power Cooperative (CIPCO) and is party to a long-term (15.5 years) contract with CIPCO for the purchase and redistribution to its members' electric energy. There are no minimum payments required by this contract.

The Electric System entered into an agreement with Harold K Schulz Co for engineering services relating to finalizing the Diesel generation addition at the North Power Plant at a cost of \$469,267. Management anticipates that the improvements to the generation plant will be operational during the next fiscal year. The costs have been financed with revenue bonds.

NOTE 17 - BUDGETS AND BUDGETARY ACCOUNTING

In accordance with the Code of Iowa, the City Council annually adopts a budget, which includes this Electric System, following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. There were no budget amendments adopted during the current year.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions or programs, not by fund. These functions are grouped as either governmental activities or business activities. The Electric System budget is included as a part of the City and GMU combined business type activities budget.

A comparison of the actual Electric System activity, adjusted to the budgetary basis (cash receipts and disbursements), and the total budgeted amounts is as follows:

	Actual	Budget
Operating and Nonoperating Revenue -		
GAAP Basis	\$ 4,026,834	
Adjust for -		
Customer Charge Accruals	36,566	
Other Operating Revenue Accruals	15,440	
Nonoperating Revenue Accruals	867	
Proceeds of Notes	2,560,000	
Operating and Nonoperating Revenue -		
Budget Basis	<u>\$ 6,639,707</u>	<u>\$ 3,987,500</u>

NOTE 17 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

	Actual	Budget
Operating and Nonoperating Expenses -		
GAAP Basis	\$ 4,019,740	
Adjust for -		
Operating Expense Accruals	4,714	
Nonoperating Expense Accruals	11,227	
Federal Grant	(300,000)	
Capital Outlays	1,403,330	
Depreciation	(309,591)	
Debt Payment	1,550,000	
Operating and Nonoperating Expenses -		
Budget Basis	<u>\$ 6,379,420</u>	<u>\$ 4,645,635</u>
Budget Overspend		<u>\$ 1,733,785</u>

NOTE 18 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 2, 2011, the date the financial statements were available to be issued, and believes that no events have occurred that require adjustment of, or disclosure in, the financial statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

SUPPLEMENTARY INFORMATION

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**SCHEDULES OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011		2010		Increase (Decrease)
	Amount	Percent	Amount	Percent	
Plant Operations -					
Salaries and Wages	\$ 48,608	1.3	\$ 48,739	1.3	\$ (131)
Employer Payroll Taxes	6,872	0.2	6,619	0.2	253
Group Insurance	10,475	0.3	12,013	0.3	(1,538)
Professional Fees	3,209	0.1	10,331	0.3	(7,122)
Insurance	11,193	0.3	12,450	0.3	(1,257)
Fuel and Lube Oil	11,124	0.3	42,529	1.2	(31,405)
Utilities and Communications	4,330	0.1	4,803	0.1	(473)
Total Plant Operations	<u>\$ 95,811</u>	2.6	<u>\$ 137,484</u>	3.8	<u>\$ (41,673)</u>
Plant Maintenance -					
Engine Repairs	\$ -	-	\$ 2,969	0.1	\$ (2,969)
Supplies - Operating and Maintenance	23,711	0.6	18,354	0.5	5,357
Repair Maintenance Services	29,469	0.8	26,006	0.7	3,463
Total Plant Maintenance	<u>\$ 53,180</u>	1.4	<u>\$ 47,329</u>	1.3	<u>\$ 5,851</u>
Purchased Energy	<u>\$ 2,368,663</u>	64.2	<u>\$ 2,409,304</u>	66.4	<u>\$ (40,641)</u>
Distribution Operations -					
Salaries and Wages	\$ 132,826	3.6	\$ 135,050	3.7	\$ (2,224)
Employer Payroll Taxes	21,421	0.6	20,719	0.6	702
Group Insurance	41,239	1.1	31,587	0.9	9,652
Professional Fees	2,587	0.1	714	-	1,873
Street Light Expense	6,795	0.2	487	-	6,308
Total Distribution Operations	<u>\$ 204,868</u>	5.5	<u>\$ 188,557</u>	5.2	<u>\$ 16,311</u>
Distribution Maintenance -					
Vehicle Operating Expenses	\$ 15,677	0.4	\$ 16,349	0.5	\$ (672)
Supplies - Operating and Maintenance	147,312	4.0	89,813	2.5	57,499
Total Distribution Maintenance	<u>\$ 162,989</u>	4.4	<u>\$ 106,162</u>	2.9	<u>\$ 56,827</u>

(Continued)

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**SCHEDULES OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011		2010		Increase (Decrease)
	Amount	Percent	Amount	Percent	
Accounting and Collecting -					
Salaries and Wages	\$ 40,006	1.1	\$ 39,534	1.1	\$ 472
Employer Payroll Taxes	5,640	0.2	5,274	0.1	366
Group Insurance	16,900	0.5	15,506	0.4	1,394
Advertising and Notices	1,111	-	2,186	0.1	(1,075)
Office Supplies	6,921	0.2	6,638	0.2	283
Copier and Computer Maintenance	3,044	0.1	2,293	0.1	751
Total Accounting and Collecting	<u>\$ 73,622</u>	2.0	<u>\$ 71,431</u>	2.0	<u>\$ 2,191</u>
Administrative Expenses -					
Salaries and Wages	\$ 46,391	1.3	\$ 48,558	1.3	\$ (2,167)
Employer Payroll Taxes	11,169	0.3	10,784	0.3	385
Group Insurance	8,425	0.2	9,241	0.3	(816)
Professional Fees	31,241	0.8	38,802	1.1	(7,561)
Insurance	11,170	0.3	11,099	0.3	71
Economic Development	17,611	0.5	17,405	0.5	206
Travel, Conferences and Dues	14,630	0.4	21,977	0.6	(7,347)
Utilities and Communications	2,085	0.1	1,932	0.1	153
Supplies - Operating and Maintenance	1,401	-	1,527	-	(126)
Use Taxes	20,743	0.6	9,552	0.3	11,191
Total Administrative Expenses	<u>\$ 164,866</u>	4.5	<u>\$ 170,877</u>	4.7	<u>\$ (6,011)</u>
Rebates and Refunds	<u>\$ 34,267</u>	0.9	<u>\$ 42,751</u>	1.2	<u>\$ (8,484)</u>
Bad Debts	<u>\$ 11,026</u>	0.3	<u>\$ -</u>	-	<u>\$ 11,026</u>
Depreciation Expense	<u>\$ 309,591</u>	8.4	<u>\$ 310,202</u>	8.5	<u>\$ (611)</u>

SCHEDULE 2

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**SCHEDULE OF OUTSTANDING DEBT
JUNE 30, 2011**

	Maturity Date	Interest Rate	Principal Amount
Lease Purchase Agreement (Issued March 1, 2002)	03/01/12	4.90%	105,000
	03/01/13	5.00%	110,000
Interest is payable September 1 and March 1. Notes	03/01/14	5.10%	115,000
due on September 1, 2012, and thereafter are callable	03/01/15	5.20%	120,000
in inverse order on March 1, 2002, and any date thereafter	03/01/16	5.25%	127,000
	03/01/17	5.30%	133,000
			<hr/> 710,000
Electric Revenue Bonds (Issued November 29, 2006)	09/01/11	4.00%	80,000
	09/01/12	4.05%	80,000
Interest is payable September 1 and March 1. Bonds	09/01/13	4.15%	80,000
due on September 1, 2021, and thereafter are callable	09/01/14	4.20%	90,000
in inverse order on September 1, 2012, and any date thereafter	09/01/15	4.25%	70,000
	09/01/16	4.30%	75,000
	09/01/17	4.40%	80,000
	09/01/18	4.45%	80,000
	09/01/19	4.50%	85,000
	09/01/20	4.55%	90,000
	09/01/21	4.60%	95,000
			<hr/> 905,000
Electric Revenue Refunding Notes (Issued June 9, 2010)	09/01/11	1.60%	195,000
	09/01/12	2.00%	200,000
Interest is payable September 1 and March 1. Notes	09/01/13	2.30%	205,000
due on September 1, 2016, and thereafter are callable	09/01/14	2.60%	210,000
in any order on September 1, 2014, or on any date	09/01/15	3.00%	215,000
thereafter	09/01/16	3.25%	220,000
			<hr/> 1,245,000

(Continued)

SCHEDULE 2

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**SCHEDULE OF OUTSTANDING DEBT
JUNE 30, 2011**

	Maturity Date	Interest Rate	Principal Amount
Electric Revenue Notes (Issued September 13, 2010)	09/01/17	2.25%	220,000
	09/01/18	2.50%	175,000
	09/01/19	2.70%	180,000
Interest is payable September 1 and March 1. Notes	09/01/20	2.90%	185,000
due on September 1, 2018, and thereafter are callable	09/01/21	3.10%	195,000
in any order on September 1, 2032, or on any date	09/01/22	3.30%	200,000
thereafter	09/01/23	3.40%	210,000
	09/01/24	3.50%	220,000
	09/01/25	3.60%	225,000
	09/01/26	3.70%	240,000
	09/01/27	3.80%	250,000
	09/01/28	3.90%	260,000
			<u>2,560,000</u>
 Total Outstanding Debt			 <u>\$ 5,420,000</u>

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATISTICAL REPORTS (UNAUDITED)
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011 (Unaudited)		2010 (Unaudited)		Increase (Decrease)
	KWH	Percent	KWH	Percent	
KWH AVAILABLE:					
Purchase or Generated	<u>42,018,868</u>	100.0	<u>42,176,381</u>	100.0	<u>(157,513)</u>
Total Available	42,018,868	100.0	42,176,381	100.0	(157,513)
LESS - CITY USE:					
Electric Utility System	496,258	1.2	502,127	1.2	(5,869)
Street Lights	<u>240,490</u>	0.6	<u>252,173</u>	0.6	<u>(11,683)</u>
Total City Use	<u>736,748</u>	1.8	<u>754,300</u>	1.8	<u>(17,552)</u>
Available for Sale	41,282,120	98.2	41,422,081	98.2	(139,961)
KWH SOLD:					
Residential	9,738,947	23.2	9,218,085	21.9	520,862
Commercial	9,506,517	22.6	8,571,726	20.3	934,791
Industrial	18,878,516	44.9	19,940,297	47.3	(1,061,781)
Municipal Water Utility	965,704	2.3	1,025,295	2.4	(59,591)
City of Greenfield	<u>428,992</u>	1.0	<u>428,590</u>	1.0	<u>402</u>
Total KWH Sales	<u>39,518,676</u>	94.0	<u>39,183,993</u>	92.9	<u>334,683</u>
Line Loss	<u>1,763,444</u>	4.2	<u>2,238,088</u>	5.3	<u>(474,644)</u>

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**INFORMATION REQUIRED BY REVENUE NOTE RESOLUTION (UNAUDITED)
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
RESIDENTIAL ELECTRIC:		
Customer Charges per Meter per Month -		
Inside City Limits	\$ 7.50	\$ 7.50
Outside City Limits	11.50	11.50
Energy Charge per Kilowatt Hour*	0.063	0.063
Demand Charge per Kilowatt Over 40	10.00	10.00
Date Effective	2/1/2006	2/1/2006
COMMERCIAL ELECTRIC:		
Customer Charges per Meter per Month -		
Inside City Limits	\$ 11.50	\$ 11.50
Outside City Limits	15.50	15.50
Three Phase Customer per Meter per Month -		
Inside City Limits	25.00	25.00
Outside City Limits	29.00	29.00
Energy Charge per Kilowatt Hour Under 10,000*	0.074	0.074
Energy Charge per Kilowatt Hour Over 10,000*	0.032	0.032
Date Effective	2/1/2006	2/1/2006
INDUSTRIAL ELECTRIC:		
Customer Charges per Meter per Month -	\$ 100.00	\$ 100.00
Energy Charge per Kilowatt Hour*	0.0345	0.0345
Demand Charge, per Kilowatt	10.00	10.00
Date Effective	2/1/2006	2/1/2006
METERS AT JUNE 30	1,286	1,299

*Rates are subject to a power cost adjustment which is based on the cost of power for the three preceding months and the kilowatt hour sales for the three preceding months. This adjustment can either increase or decrease the rate in effect for each month based upon the unrecovered cost in energy adjustment account.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH OVERNMENT AUDITING STANDARDS

Greenfield Municipal Utilities
Electric System
Greenfield, Iowa

We have audited the financial statements of the Electric System, a department of the Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Electric System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Electric System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Electric System's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Electric System's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal

control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part 2 of the accompanying Schedule of Findings as items 11-1A, 11-1B, and 11-1C to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Electric System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Electric System's operations for the year ended June 30, 2011, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Electric System. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Electric Systems' responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we expressed our conclusions on the responses, we did not audit the Electric System's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the trustees, officials, employees and citizens of the City of Greenfield, and other parties to whom the Greenfield Municipal Utilities may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

By _____
Certified Public Accountant

November 2, 2011

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011**

PART 1: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Significant Deficiencies:

- 11-1A **Cash Accounts** - We commented in the prior year that a single individual prepares checks, reconciles bank accounts and maintains the general ledger. Recording of receipts and writing and recording payroll are performed by a different employee. To the extent possible, duties should be segregated to serve as a check and balance for identifying errors, to eliminate errors in the monthly financial reports, and to maintain the best control system possible. A primary control action is the regular reconciliation of all cash accounts.

Greenfield Municipal Utilities shares one checking account, one savings account and multiple certificates of deposit to manage its cash. However, more than one self-balancing fund is used for accounting purposes and tracks how each fund shares in each of these cash types. An integral part of the bank reconciliation is verifying each fund's share in the overall cash balance. The records indicated that bank account reconciliations were not completed properly as of June 30, 2011.

Recommendation - All cash accounts should be reconciled timely and regularly. Furthermore, alternating the reconciliations between two employees would increase the overall control. In addition, we recommend the governing board be provided accurate monthly cash reports which would show the total cash in each bank account and the amount of each fund's share in the overall pooled balance in checking, savings or certificates of deposit.

Response - This situation has improved from previous years and will continue to improve as more experience is acquired with regular use of the software and a more comprehensive understanding of accounting procedures.

Conclusion - Response accepted.

- 11-1B **Accurate Financial Reports** - We noted in the prior year that various accounting and reporting processes are delayed. Specifically, the accounts payable, SIMECA Payable, and Sewer fee collection payable need to be reconciled to the general ledger monthly and the debt payments need to be coded from the proper fund. During the current year, we noted that financial reports are now timely, but not yet accurate for these accruals. Lack of having correct financial information can impact management's ability to effectively maintain oversight of an organization. Critical areas such as financial analysis, budgetary control, cash flow, and compliance with various statutes can all be negatively impacted. Further, we believe that the lack of accurate management reports removes the important control function of management oversight necessary with limited segregation of duties. Although this problem did improve during the current year, it is not resolved to the extent to not continue this comment this year.

Response - With the relatively new accounting software and the Office Manager/City Clerk having limited experience in this type of environment, she may be overburdened producing management financial reports, understanding the governmental chart of accounts and performing her duties of City Clerk. The Office Manager/City Clerk has limited experience of working in a governmental environment. Management believes this situation will continue to improve as more experience is acquired with daily use of the software and further knowledge is gained of the governmental environment as well as training on additional monthly procedures.

Conclusion - Response accepted.

- 11-1C **Prior Year Findings** - In the prior year's Schedule of Findings, we had findings regarding timely bank account reconciliations, accurate posting and account coding, and timeliness of financial reports. These findings have improved during the current year.

Instances of Non-Compliance:

No matters noted.

PART 2: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

- 11-2A **Official Depositories** - A resolution naming depositories for combined funds of the City and Library and Greenfield Municipal Utilities has been approved by the City Council and the Board of Trustees. The maximum deposit amounts stated in the resolution were not exceeded during the year by Greenfield Municipal Utilities. The depositories named and maximum deposit amounts authorized are as follows:

First National Bank	\$ 4,000,000
Union State Bank	4,000,000

- 11-2B **Certified Budget** - Disbursements during the year ended June 30, 2011, exceeded the amount budgeted for the electric system by \$1,733,785. This overspend is applicable only to the electric system, as a component unit of the City of Greenfield. The overspend was caused entirely by construction in progress at the north Power Plant Substation and paying off the 2001 Electric Revenue Notes. The costs associated with the plant and the payoff of the debt were both approved at public hearings prior to commencement of the project.
- 11-2C **Questionable Disbursements** - We noted no expenditures that we believe would constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- 11-2D **Travel Expense** - No expenditures of Electric System money for travel expenses of spouses of officials or employees were noted.
- 11-2E **Business Transactions** - Business transactions between the Greenfield Municipal Utilities Electric Utility System and the Utilities' officials are immaterial and meet the guidelines of the Code of Iowa.
- 11-2F **Bond Coverage** - Surety bond coverage of officials and employees is in accordance with statutory provisions. However, we recommend the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations. See the page listing the "Officials" for individual bond coverage amounts.

- 11-2G **Minutes** - No transactions were found that we believe should have been approved in the minutes, but were not. The minutes were published within the 15 days required by Chapter 372.13(6) of the Code of Iowa. We did note, however, total receipts were not included in the published minutes.
- 11-2H **Deposits and Investments** - The Board of Trustees adopted a written investment policy statement as required by Chapter 12B.10B of the Code of Iowa and no instances of noncompliance were noted.